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SUBJECT: A New Strategy to Curb Rising Food Prices: GOJ to Enter the Market

REFS: A. AMMAN 1985

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[1](#)1. (SBU) Summary: The GOJ has announced a three-part strategy to confront increasing commodity prices: amending laws, directly entering the market with a government trading company, and a public awareness campaign on curtailing consumption. Commodity traders were skeptical that the GOJ strategy would work, but welcomed the GOJ's entry into the market. The plan is risky and carries no guarantees of success. End summary.

Royal Intervention to Halt Price Rise

[1](#)2. (U) Following a Royal directive from King Abdullah on September 10, Minister of Industry and Trade Amer Hadidi unveiled September 13 a new strategy to control rising prices of basic food commodities and ensure availability of essential goods on the local market (ref A). The strategy has three basic components: amending existing laws, having the government enter the market with a new trading company, and an awareness campaign.

Amending Existing Laws

[1](#)3. (U) The first measure will seek to improve legislation by amending existing laws, specifically to revise the Competition Law to restrict the near-monopoly control of commodities, specifically red meat, and to increase penalties on violators. The amendment would also seek to empower the Consumer Protection Society and enhance its role through establishing a unit directly affiliated with the Prime Ministry. The GOJ will also seek to accelerate the process of drafting a new Consumer Protection Law that would create the watchdog unit under the Prime Minister that would monitor the market. Additionally, the Ministry of Agriculture will amend the rules and regulations for importing meat to allow meat from new sources to enter the country, and for shipments of livestock to enter Jordan through multiple customs/inspections points, in addition to the current one in Aqaba. According to Agriculture Minister Said Masri, the new rules are expected to be issued "within days."

GOJ to Establish a Trading Company

14. (U) The second component will focus on the government's entry into the commodities market as a new and strong player able to lower prices. Hadidi said this will be implemented through a joint venture undertaken between the GOJ and the Jordan Armed Forces and would be established within the next three months. The new entity is expected to begin operations during the first quarter of 2010. The facilities of Jordan Silos and the General Supply Company would be used for storage. The new company will trade in 13 basic food commodities which Hadidi declined to disclose at this stage, but confirmed that it will begin by importing red meat into the local market. The new entity will follow commercial methods in setting prices by examining wholesale prices, import costs, and adding a profit margin. Imported products will be sold in government-owned commissaries, which are open for all consumers and are similar to privately-owned supermarket chains with government ownership. A greater role in the market for commissaries would translate into lower prices for consumers because commissions for middlemen would be eliminated. Hadidi claimed that this action does not represent a retreat from the free market policies that the government has been adopting.

Awareness Campaign

15. (U) The third and final aspect of the strategy is an awareness campaign to educate Jordanian consumers about using substitute products, such as opting for different brand names and generic products instead of better-known brands, or dried instead of canned fruits and vegetables, as well as informing consumers about the importance of rationing consumption.

Traders Skeptical, But Welcoming of GOJ Efforts

16. (SBU) Local traders were skeptical about the GOJ's ability to reduce prices, but they welcomed the government's entry into the market. Emad Shaban from Shaban group, one of the major food commodities suppliers in Jordan, told EmbOff that Shaban will maintain its competitive advantage in the market through quality, brand name, marketing techniques and knowledge of the market and its mechanisms. Mushair Al Shaer of the same group commented that anyone can import rice into the market, but that does not mean that anyone can survive in this market. He claimed that at times Shaban sells at prices below cost and questioned if the government has such capacity. Fierce competition currently exists in the market and such competition does not allow for a monopoly, Al Shaer added, challenging the GOJ premise that certain traders control the market. He gave the example of dried almonds where four different companies import them from the U.S., and none of them can set the market price for almonds. Nader Awad of Yousef Nader Group, another major supplier in the market, believes that the new company will have no major impact on the market as the pricing problem lies with the retailers and not the importers. Awad reminded EmbOffs that basic commodity prices are set by international commodity exchanges and not by importers.

Red-Meat Brinksmanship

17. (SBU) Zakeria Al Qassem, CEO of the Hijazi and Gosheh Company, which monopolizes the red-meat market in Jordan and is a major supplier for the MENA region, told EmbOff that it will exit the market if the GOJ wants to "play games." He claimed that Jordan is its smallest market, with \$500 million annually from the sheep trade and 1,500 Jordanian employees. He claimed that the company pays the GOJ more than \$20 million a year in taxes and fees, suggesting that pushing the business outside of Jordan would hurt Jordan rather than his company.

18. (SBU) Comment: The GOJ seems to be caught between its belief in a free market economy and the pain felt by average Jordanians as commodity prices continue to increase, adding more pressure on the lower and shrinking middle income families. While curbing prices is politically popular, it is highly unclear that establishing a new public sector company will achieve the goal of lowering prices for consumers. Other options would be for the GOJ to further remove trade barriers such as import restrictions on meat, increase the

number of active government-owned commissaries, allow commissaries to compete with large retailers and importers in order to have the power to lower prices through market mechanisms, simplify legislation and regulations, and direct the Jordan Silo and General Supply Company to better manage the strategic commodity reserves. These steps could help stabilize prices without having the GOJ directly enter the market, which would represent a risky strategy that might not succeed. End Comment.

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